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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92047819
Party	Plaintiff Paul Stuart, Inc.
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

PAUL STUART, INC., Petitioner, v. GRACE WEXLER substituted for POWDER, LLC Registrant.	Cancellation No. 92047819 (Reg. No. 2,843,001)

PETITIONER'S REPLY IN SUPPORT OF ITS MOTION FOR LEAVE TO AMEND ITS PETITION TO CANCEL AND TO SUSPEND FURTHER PROCEEDINGS

Pursuant to the Trademark Trial and Appeal Board Manual of Procedure § 502.02(b), Petitioner in the above captioned cancellation proceeding, Paul Stuart, Inc. (hereinafter "Petitioner"), submits the following arguments in reply to Registrant's Response to Petitioner's Motion for Leave To Amend Its Petition To Cancel And To Suspend Further Proceedings.[1] It is noted that: "The Board may, in its discretion, consider a reply brief in support of a motion." T.B.M.P. § 502.02(b).

In its responsive papers, Registrant mischaracterizes the plain language of its own declaration made under oath and misconstrues the statements set forth in Petitioner's Amended Complaint. Thus, Petitioner submits this reply in order to ensure that the record is clear.

[1] Registrant entitled its papers "Reply to Petitioner's Motion For Leave To Amend Its Petition To Cancel and To Suspend Further Proceedings." (TTAB Docket at No. 14) In actuality, Registrant's papers are in Response to Petitioner's Motion. Registrant's papers are referred to herein as "Resp."

I. FACTS

Petitioner filed the Petition to Cancel Registration No. 2,843,001 on July 17, 2007. The Cancellation action was instituted on July 17, 2007 and Registrant's Answer was due on August 26, 2007. On July 23, 2007, counsel for Registrant, Mitchell Wexler[2] ("Attorney Wexler"), sent an email to Petitioner stating that he was in receipt of the Petition to Cancel "my client's trademark for Powder. Please contact me to discuss this matter your convenience." (Emphasis added) AR Dec.[3] Ex. 1.

Thereafter, on August 14, 2007, Attorney Wexler wrote to Petitioner stating:

> As you are aware, this firm represents the owner of the trademark, Powder, of which your firm has filed a Petition for Cancellation. While my client vehemently denies the allegations contained in your petition and has ever [sic] intention of preparing a defense . . . . As I have started preparing the answer to the Petition. . . ."[4] (Emphasis added).
>
> AR Dec. Ex. 2.

Despite its principal being fully aware of the Petition to Cancel and discussing the proceeding with its counsel, Registrant failed to file an Answer or request an extension of time. On September 11, 2007, Attorney Wexler wrote to Petitioner that his "client was willing to assign and sell the trademark." AR Dec. Ex. 3. Clearly, Attorney Wexler's statements are totally contradictory of the statements made in the Grace Wexler Declaration at ¶ 5.

On September 22, 2007 the Trademark Trial and Appeal Board issued a Notice of Default. (*See* TTAB Docket at No. 4). On October 19, 2007, Registrant filed a Response to

[2] Attorney Wexler and Registrant, Grace Wexler share the same last name. On information and belief, Attorney Wexler is Grace Wexler's brother in law.

[3] The Declaration of Abigail Rubinstein is submitted herewith and referred to herein as "AR Dec."

[4] On information and belief, Grace Wexler was principal of Powder, LLC and responsible for its day to day activities. Thus, Mr. Wexler's reference to "my client" could only refer to Ms. Wexler.

Order to Show Cause Why Default Should Not Be Entered claiming that Grace Wexler, owner by assignment of the subject registration had no prior notice of the Petition to Cancel and filed an Answer. Petitioner opposed (TTAB Docket at No. 9) and the Board issued an Order on March 12, 2008, finding sufficient cause to avoid a default judgment (TTAB Docket at No. 12). Thereafter, on May 5, 2008, Petitioner moved to amend its Petition to Cancel and suspend proceedings.

II. ARGUMENT

A. Registrant Does Not Argue That The Pleading Is Legally Insufficient

Pursuant to T.B.M.P. § 507.02 "the Board liberally grants leave to amend pleadings at any stage of a proceeding when justice so requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party or parties." The T.B.M.P goes on to further explain that "whether or not the moving party can actually prove the allegation(s) sought to be added to a pleading is a matter to be determined after the introduction of evidence at trial or in connection with a proper motion for summary judgment." T.B.M.P. § 507.02.

Here, Registrant does not argue that Petitioner's allegations are prejudicial to its rights or are legally insufficient. Registrant does not argue that Petitioner did not set forth the proper elements for allegations of fraud. Rather Registrant merely argues that such allegations are "baseless" or "meritless." (Resp. at 2-3). The merits of an allegation are not at issue in a Motion to Amend a Pleading. T.B.M.P. §507.02 As set forth in the T.B.M.P the merit of an allegation is a matter to be determined at trial or after a motion for summary judgment. Id. Petitioner's allegations are legally sufficient and Petitioner should be able to take discovery as to those allegations. The merits can be determined at trial.

B. Registrant Admits It Was Not Using The Mark On Swimwear

In its opposition, Registrant argues that Petitioner should not be allowed to amend its Petition to Cancel and allege that Reg. No. 2,843,001 was fraudulently obtained because such claim is "baseless."[5] (Resp. at 2). The allegation of fraud is predicated upon the newly discovered evidence set forth in the Declaration of Grace Wexler in Support of her Response to the Order to Show Cause, to wit:

> 7. Since August 1999, my POWDER & design trademark has been in continuous use on clothing marketed and distributed throughout the United States and exported to Shanghai, China.
>
> 8. The POWDER & Design mark is used on all of the clothing items listed in the registration, except for swimwear. Our swimwear line will be launched in 2008.

(TTAB Docket at No. 7.)

Registrant argues that when Ms. Wexler declared under oath that she was not using the mark in connection with swimwear and intended to "launch" a swimwear line in 2008 it means that Ms. Wexler intended to "resume" a swimwear line. Registrant's interpretation of the plain language of its own declaration is nonsensical. Paragraph 8 states that the mark is used on all of the clothing items except swimwear. The sentence is not limited in time. It does not indicate a time where the mark may or may not have been used on swimwear. The language speaks for itself. Indeed, the term "launched" is defined as:

> To set going; initiate: *launch a career; launch a business venture*;
>
> To introduce to the public or to a market: la*unched the new perfume with prime-time commercials on the major networks*;
>
> To begin a new venture or phase; embark: *launch forth on a dangerous mission; launched out on her own after college*.

[5] Registrant does not allege that Petitioner failed to state a claim upon which relief could be based, she merely argues that the claim is "baseless." (Resp. at 2).

The American Heritage® Dictionary of the English Language, (4th ed. 2006) (emphasis added) AR Dec. Ex. 4.

Clearly, the term "launched" indicates something new and does not mean to "resume." Nowhere in the definition of "launched" is the term "resume" used or is there any indication that the word launched means "resumed." If Ms. Wexler intended to resume use, she would not have used the term "launched" in her declaration. To construe the term "launched" as meaning a resumption of a prior use is a stretch of the imagination and not the plain meaning of the word.

Regardless of how Registrant attempts to interpret its own clear language, Petitioner should not be limited in its ability to establish that Registrant was not using the mark in connection with all the goods identified in the subject registration. Indeed, there is a strong public policy in seeing that such fraudulently procured registrations are removed from the register. For that reason, claims of laches and estoppel are not a defense to fraud. *See Bausch & Lomb, Inc. v. Leupold & Stevens Inc.*, 1 U.S.P.Q.2d 1497, 1499 (T.T.A.B. 1986). These equitable defenses are not available because "it is within the public interest to have registrations which are void *ab initio* stricken from the register and this interest or concern cannot be waived by the inaction of any single person or concern, no matter how long the delay persists." *W. D. Byron & Sons, Inc. v. Stein Bros. Mfg. Co.*, 146 U.S.P.Q. 313, 316 (T.T.A.B. 1965), *aff'd*, 377 F.2d 1001 (C.C.P.A. 1967).

Here, there is an unqualified admission by the Registrant that the mark was not in use on certain of the goods in the registration. There is a strong public interest in ensuring that a fraudulently procured registration is removed from the register and Petitioner should be allowed to pursue discovery on its legitimate and well pled allegations of fraud.

B. The Board Has Not Decided The Issue Of Whether Petitioner Fraudulently Avoided The Default Judgment

Additionally, Registrant argues that Petitioner should not be allowed to amend its Petition to Cancel to allege fraud on the PTO in Registrant's avoidance of a default judgment because it is an issue that has already been decided (Resp. at 3). This is incorrect. In its March 12, 2008 Order, the Board could not rule on the issue of whether Registrant committed fraud in its avoidance of a default judgment because the question was not yet before the Board. Thus, it is impossible for the Board to have already addressed the issue.

Moreover, nowhere in the March 12, 2008 Order does it discuss the issue of fraud in avoiding the default judgment. Rather, the Order states that "there is no evidence that respondent's failure to timely answer the notice of opposition was either willful or the result of gross neglect." (March 12, 2008 Order at 2). The Board continued to state that "discovery remains open, and by this order will be extended, giving the parties sufficient time to conduct any necessary fact finding." (*Id.* at 3). Thus, there is ample time to conduct the necessary discovery to support this allegation.

Indeed, there is sufficient evidence (or, at the very least, a meritorious question) in the record to support an allegation of fraud in avoiding the default judgment. It is clear from his statements that Attorney Wexler was communicating with his sister-in-law client regarding this cancellation prior to the time stated in Ms. Wexler's declaration. *See* AR Dec. Exs. 1-3. If Attorney Wexler and Registrant were communicating, then Grace Wexler's statements in her declaration would be false and the Board's March 12, 2008 Order setting aside the default judgment was obtained fraudulently.

C. Rule 60 of The Federal Rules Of Civil Procedure Provides For Relief From An Order That Was Fraudulently Obtained

Moreover, Registrant misunderstands the allegations in Petitioner's Amended Petition to Cancel. Registrant appears to be arguing that Petitioner cannot allege that Registrant fraudulently obtained the subject registration on the basis of a false declaration made to the Board in connection with an *inter partes* proceeding. Rather Cancellation of a registration on the basis of fraud is only proper if a registration was fraudulently *obtained*. While that may be an argument Petitioner may wish to pursue after discovery, it is not Petitioner's present argument.

Registrant completely misunderstands Petitioner's allegations in its Amended Petition. At this time, Petitioner does not allege that Registrant fraudulently obtained its registration as a result of a false declaration made to the Board in an *inter partes* proceeding. Rather, in addition to the allegation that the Registration was obtained fraudulently because the mark was not in use on all the goods identified in the application, Petitioner is alleging that the subject registration was fraudulently maintained as a result of a false declaration submitted to the Board in an *inter partes* proceeding. In other words, the Amended Petition alleges that the Order setting aside the default judgment was obtained fraudulently. If the Order had not been obtained the Default Judgment would still stand and the registration would be cancelled.

Pursuant to Rule 60 of the Federal Rules of Civil Procedure "the court may relieve a party or its legal representative from a final judgment, order, or proceeding for the following reasons . . .. (3) fraud (whether previously called intrinsic or extrinsic), misrepresentation, or misconduct by an opposing party." Fed. R. Civ. P. 60(b). The Federal Rules of Civil Procedure are applicable to Board Proceedings. *See* T.B.M.P. § 101.02.

There is evidence in the record that indicates Attorney Wexler was corresponding with his client and receiving instructions from Ms. Wexler, the owner of the subject registration, either as the sole principal of Powder, LLC or in her individual capacity. Reasonably relying upon Ms. Wexler's allegedly materially false statements regarding her knowledge of the cancellation proceeding, the Board set aside the default judgment and maintained the registration. Thus, Ms. Wexler fraudulently obtained an Order that maintained the subject registration by submitting materially false statements in connection with her motion to set aside the default judgment.

If one followed Registrant's argument to its logical conclusion, a party can submit a false declaration in an *inter partes* proceeding and there should be no consequences. A false declaration submitted in connection with an *inter partes* proceeding is just as much a fraud on the PTO as submitting a false Statement of Use or Section 8 Declaration of Continued Use.

Accordingly, Petitioner's allegation that the Board's Order Setting Aside the Default Judgment was procured as a result of fraud is a sufficient claim upon which relief may be granted.

III. CONCLUSION

Based on the forgoing and its previously filed Motion For Leave To Amend Its Petition To Cancel And To Suspend Further Proceedings, Petitioner respectfully requests that the Board grants its motion and reset the discovery and trial dates for ninety (90) days from the date of the Board's Order.

Respectfully submitted,

DARBY & DARBY P.C.

Dated: New York, New York
June 13, 2008

By: /Paul Fields/

Paul Fields
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Tel: (212) 527-7700
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Email: pfields@darbylaw.com

Attorneys for Petitioner
Paul Stuart, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on June 13, 2008, a copy of the foregoing PETITIONER'S REPLY IN SUPPORT OF ITS MOTION FOR LEAVE TO AMEND ITS PETITION TO CANCEL AND TO SUSPEND FURTHER PROCEEDINGS was caused to be served upon counsel for Registrant, via First-Class Mail, postage prepaid, addressed as follows:

Steven Prewitt
Yvonne E. Tingleaf
SCHWABE, WILLIAMSON & WYATT
PacWest Center
1211 SW Fifth Avenue, Suite 1900
Portland, OR 97204

/Paul Fields/

CERTIFICATE OF TRANSMISSION

I hereby certify that this correspondence is being transmitted by electronic means to the United States Patent and Trademark Office on the date shown below.

Paul Fields
(Type or printed Name of Person Signing Certificate)

/Paul Fields/
(Signature)

June 13, 2008
(Date)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

----------x

PAUL STUART, INC.,
Petitioner,

Cancellation No. 92047819

GRACE WEXLER substituted for POWDER, LLC (Reg. No. 2,843,001)

Registrant.
----------x

DECLARATION OF ABIGAIL RUBINSTEIN

I, Abigail Rubinstein, declare:

1. I am an attorney associated with the firm of Darby & Darby P.C., representing Petitioner in connection with Cancellation No. 92047819. I have personal knowledge of the material facts stated herein and I make and submit this Declaration in support of Petitioner's Reply In Support Of Its Motion For Leave To Amend Its Petition To Cancel And To Suspend Further Proceedings.

2. Attached hereto as Exhibit 1 is a true and correct copy of Mitchell Wexler's July 23, 2007 email to Petitioner.

3. Attached hereto as Exhibit 2 are a true and correct copy of Mitchell Wexler's August 14, 2007 email to Petitioner and a true and correct copy of the letter attached thereto.

4. Attached hereto as Exhibit 3 is a true and correct copy of Mitchell Wexler's September 11, 2007 email to Petitioner.

5. Attached hereto as Exhibit 4 is a true and correct copy of The *American Heritage® Dictionary of the English Language* definition of "launched" available at the URL:http://www.bartleby.com/61/84/20068400.html

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or document or any registration resulting therefrom.

Dated: June 13, 2008 By: /Abigail Rubinstein/
Abigail Rubinstein

CERTIFICATE OF SERVICE

I hereby certify that on June 13, 2008, a copy of the foregoing DECLARATION OF ABIGAIL RUBINSTEIN was caused to be served upon counsel for Registrant, via First-Class Mail, postage prepaid, addressed as follows:

Steven Prewitt
Yvonne E. Tingleaf
SCHWABE, WILLIAMSON & WYATT
PacWest Center
1211 SW Fifth Avenue, Suite 1900
Portland, OR 97204

/Paul Fields/

CERTIFICATE OF TRANSMISSION

I hereby certify that this correspondence is being transmitted by electronic means to the United States Patent and Trademark Office on the date shown below.

Paul Fields
(Type or printed Name of Person Signing Certificate)

/Paul Fields/
(Signature)

June 13, 2008
(Date)

Exhibit 1

-----Original Message-----
From: mitchell wexler <mhwexler@friedmanandwexler.com>
To: Winston, Laura J
Sent: Mon Jul 23 15:04:34 2007
Subject: Paul Stuart/Powder

Dear Ms. Winston:

Please be advised that I have received your petition for cancellation of my client's trademark for Powder. Please contact me to discuss this matter at your convenience. My direct line is 312-474-4545.

Very truly yours,

Mitchell Wexler

Friedman & Wexler, LLC

500 W. Madison St. Ste 2910

Chicago, IL 60661

312-474-1000

Exhibit 2

Marmo, Elizabeth

From: mitchell wexler [mhwexler@friedmanandwexler.com]
Sent: Tuesday, August 14, 2007 3:38 PM
To: Winston, Laura J
Cc: Marmo, Elizabeth
Subject: Paul Stuart, Inc.
Importance: High

Dear Ms. Winston:

Attached please find a letter regarding your client, Paul Stuart's Petition to Cancel the trademark of Powder. Upon review, please advise if your client is interested in a quick non litigated settlement to this issue.

Very truly yours,

Mitchell Wexler

Mitchell Wexler
Friedman & Wexler, LLC
500 W. Madison St. Ste 2910
Chicago, IL 60661
312-474-1000

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MITCHELL WEXLER

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August 14, 2007

Via electronic mail only: lwinston@darbylaw.com

Darby & Darby P.C.
Attn: Laura Winston, Esq.
PO Box 770, Church St. Station
New York, NY 10008-0770

Re: Paul Stuart and Powder

Dear Ms. Winston:

As you are aware, this firm represents the owner of the trademark, Powder, of which your firm has filed a Petition for Cancellation.

While my client vehemently denies the allegations contained in your petition, and has ever intention of preparing a defense, they are willing to discuss an assignment and sale of the trademark to your client to avoid the cost of litigating this matter.

My client has agreed to assign and sell the trademark to your client, Paul Stuart for the sum of $100,000.00.

As I have started preparing the answer to the Petition, before going further, I would appreciate an answer to this offer. My direct line is 312-474-4545.

I thank you in advance for your cooperation in this regard.

Very truly yours,

Mitchell H. Wexler
FRIEDMAN & WEXLER, LLC.

Exhibit 3

From: mitchell wexler [mhwexler@friedmanandwexler.com]
Sent: Tuesday, September 11, 2007 8:06 PM
To: Winston, Laura J
Cc: Marmo, Elizabeth
Subject: Powder/ Paul Stuart
Importance: High

Dear Ms. Winston:

It has been several weeks since my last email regarding your client's petition for cancellation of the Powder trademark of my client.

I had hoped to hear from you regarding this matter as my client was willing to assign and sell the trademark to your client even though she still uses and has used this since its inception.

Please contact me regarding this as I believe that we can settle this matter without having to go through the entire process.

Very truly yours,

Mitchell Wexler

Mitchell Wexler
Friedman & Wexler, LLC
500 W. Madison St. Ste 2910
Chicago, IL 60661
312-474-1000

Exhibit 4

The American Heritage® Dictionary of the English Language: Fourth Edition. 2000.

launch1

PRONUNCIATION: lônch, länch

VERB: Inflected forms: **launched**, **launch·ing**, **launch·es**

TRANSITIVE VERB: **1a.** To throw or propel with force; hurl: *launch a spear*. **b.** To set or thrust (a self-propelled craft or projectile) in motion: *launch a rocket; launch a torpedo.* **2.** *Nautical* To put (a boat) into the water in readiness for use. **3.** To set going; initiate: *launch a career; launch a business venture.* **4.** To introduce to the public or to a market: *launched the new perfume with prime-time commercials on the major networks.* **5.** To give (someone) a start, as in a career or vocation.

INTRANSITIVE VERB: **1.** To begin a new venture or phase; embark: *launch forth on a dangerous mission; launched out on her own after college.* **2.** To enter enthusiastically into something; plunge: *launched into a description of the movie.*

NOUN: The act of launching.

ETYMOLOGY: Middle English *launchen*, from Old North French *lancher*, from Latin *lanceāre*, to wield a lance, from *lancea*, lance. See lance.

launch 1. The American Heritage® Dictionary of the English Language: Fourth Edition. 2000.